

**MINUTES OF JULY 10, 2007, RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Dana Lawhorne, Chair	Steven Bland, Retirement Administrator
Michael Cross	Eli Greenblum, FSA, Segal & Co.
Michele Evans	Theresa Nugent, Communications specialist
Pat Evans (Alternate)	Gerald McHugh
Henry Howard	Douglas Powell
Bruce Johnson	
Chris Lockwood	
Shirl Mammarella (Alternate)	
Laura Triggs	

CALL TO ORDER

The meeting was called to order at 8:40 A.M. on July 10, 2007.

MINUTES

There was a motion by Ms. Triggs, seconded by Mr. Cross to approve the May 10th, 2007 minutes. The motion was unanimously approved (7-0).

Ms. Evans arrived.

DISABILITY

Mr. Powell was invited to the Retirement Board meeting to discuss evidence of promises made to include merit increases in the Average Final Compensation calculations of the retirement benefit calculation of disabled participants. Mr. Powell provided personal history including his service to the City of Alexandria and his service related injury. He discussed his contact with Mr. Sunderland, the City Manager. In negotiations leading to the 2002 amendments to the Disability Income Plan, there were discussions of how to calculate the average salary used in converting from disabled benefits to retirement benefits. Mr. Sunderland very specifically mentioned promotions were not to be considered.

Mr. Powell identified a passage of the Disability Income Plan's plan document. Section 4.07 – Disability Benefits After Normal Retirement Date – "...had he remained uninjured and continued his employment." Discussion then centered on merit increases that might have been awarded had the participant remained in service.

Mr. McHugh provided testimony next. He discussed the meetings held with Mr. Sunderland. He remembers hearing that at age 60 an employee would receive 66 2/3 benefits. Mr. McHugh believes wording in section 4.07 changed between 1983 and 2002 and the phrase "...had remained uninjured and continued employment..." supports the idea merit increases should be included in the Average Final Compensation calculation in the retirement calculation of disabled participants. He thanked the Board for considering the issue.

Mr. Cross asked to see the passage Mr. Powell quoted.

Ms. Evans said the City Managers Office had not been able to find any information in Mr. Sunderland's notes indicating merit increases were to be included in the salary calculations. Mr. Powell's proposal to include merit increases in the calculation of average salaries at conversion to retirement would require action by City Council. The City Attorney had verified this. The docket items from December 10, 2002 could not be interpreted as Mr. Powell presented them.

Chairman Lawhorne said merit increases, which are not guaranteed, assume satisfactory reviews. He believes the issue came up in 2002 but was not agreed to.

Mr. Powell pointed out the 2002 amendments addressed language regarding benefit levels of 50%, 66 2/3%, and 70% but not the methods for calculating the average salary.

Mr. Howard pointed out that there was a 60-day notice prior to the amendment and that pay scales had been significantly altered since some participants had become disabled.

Ms. Evans said until a plan amendment is enacted the plan will be guided by what was in the plan document.

Chairman Lawhorne said he saw an e-mail from Mr. McHugh following the enactment of the December 10, 2002 amendment questioning whether merit increases were included.

Ms. Mammarella asked if we should have a plan amendment. Ms. Evans said it would need to be ready by the September 5th Board meeting in order to give 60 days notice for City Council to consider in December. Ms. Triggs indicated we would need authorization for the legal and actuarial expenses.

Mr. Cross made the comment that he does not believe that Mr. Powell and Mr. McHugh have presented compelling evidence to prove that the City committed to advancing disability retirees through the merit steps until they reach the end of the scale as part of the 2002 plan amendment. Considering a plan amendment would be a benefit enhancement, and the plan is not in position to offer significant benefit enhancements. Additionally, the comment was made that spending

money to prepare a plan amendment and fiscal impact study would be costly, and a waste of good money.

Ms. Mammarella made a motion:

Staff shall prepare a plan amendment and Fiscal Impact by September 5th regarding a proposal to include merit increases in the average salary increases used in conversion from disabled status to retirement. The study is not a signal the board endorses such an amendment.

Ms. Evans seconded the motion.

Discussion: Staff raised the question of how this might impact the adequacy of the employee .50% of pay contribution and the actuary's certification. Mr. Greenblum said that any change that would increase the benefit payment would create additional cost to the employee. He added that the employee non-service disability contribution rate (0.5%) to maintain a tax-free benefit has already been breached, which results in needing to increase the employee contribution rate. He also said that contribution rate would also increase for the City's service related disability benefits.

The motion failed (4-4). (Aye: Chairman Lawhorne, Ms. Evans, Mr. Johnson, Ms. Mammarella, Nay: Mr. Cross, Mr. Howard, Mr. Lockwood, and Ms. Triggs)

Ms. Triggs made a motion:

Appoint a Disability Committee to review the proposal to include merit increases in the average salary and benefit calculations of participants converting from disabled to retirement status. Also, staff was to engage the actuary in determining a price for this benefit increase.

Ms. Evans seconded the motion.

The motion passed (5-3). (Aye: Chairman Lawhorne, Ms. Evans, and Mr. Johnson, Ms. Mammarella, and Ms. Triggs; Nay: Mr. Cross, Mr. Howard, and Mr. Lockwood.)

The Committee is composed of Ms. Triggs, Mr. Seskey, and Mr. Lawhorne. The Chair asked for participation from a fire representative. None of the fire representatives volunteered for the committee.

Mr. Bland reported that four disabled members had already signed to convert their DC account to an annuity [as allowed by the Fifth Amendment]. He also has appointments scheduled with several other individuals.

MEETING PROTOCOL

Staff cited the need to be more thorough in sign-in procedures and for the minutes to record how each member voted on motions.

DISABILITY ANNUITY PURCHASE

Staff updated the Board on the progress of disability recipients purchasing an annuity. There have been 4 people who have elected to purchase the annuity option using their DC balance. There are several group meetings scheduled to discuss the annuity option with the disability retirees.

2006 VALUATION

Mr. Greenblum, the plan's actuary from Segal Company, discussed the recent valuation results. Assumptions were changed. The mortality tables are updated to reflect increased longevity. In particular, mortality for disabled lives was significantly lower than the assumptions. The plan had originally used a disability retiree mortality table. These rates are very high. The plan's experience is not as severe as the Social Security disability mortality table. The retirement assumptions were changed. People are deferring retirement past age 55. However, upon reaching 30 years of service nearly everyone retires.

Mr. Greenblum mentioned the change in assumptions had a greater impact on disability than on service retirement. The current contribution rate of .50% of pay needs to become at least .57% for non-service partial disability benefits to remain non-taxable. The actuarial certification is for a calendar year. Thus, the .50% rate is okay through December 31, 2007. Staff will ask legal council to comment on the member continuing to contribute .50% instead of the full .57% and whether a portion of the benefit becomes taxable or would the entire benefit be taxable.

Mr. Howard asked about participation in the DROP program. Mr. Greenblum indicated participation was strong, but not quite as strong as the period immediately following plan inception. With lower retirement rates he expected more to stay in service until eligible for the DROP.

Ms. Triggs made a motion:

To form a committee to review the effect of the valuation on the employees' contribution to the disability plan and what changes, if any, need to be made for legal compliance.

Mr. Howard seconded the motion.

Discussion: The committee should consult with Mr. Ken Hoffman, outside attorney.

The motion passed (8-0).

The subcommittee is Mr. Cross, Mr. Howard, Ms. Mammarella, and Mr. Jinks with Ms. Triggs as liaison.

Ms. Evans left the meeting.

Mr. Greenblum identified a potential issue. The Plan document calls for a portion of the initial unfunded liability to be amortized as a level dollar amount. The balance of the unfunded liability is amortized as a level percentage of pay. The latter is the standard in governmental plans. He believes this was an error in constructing the Plan document. Staff contacted Ken Hoffman who indicated he believes the intent from the beginning was to use the level percentage of pay approach that is almost universal in public plans. Staff also reviewed documents distributed to participants in 2003. Those documents that discussed benefits and costs disclosed the actuarial methods and they included the level percent of pay methodology.

Initially, the difference between the two methods was that the level dollar amount would require about \$200,000 per year more in contributions. Presently the difference requires \$160,000 to \$170,000 more per year.

Ms. Triggs made a motion:

To add to the Valuation Committee's tasks to review the wording of section 4.2(a)(1) of the Plan that indicates level dollar payments, instead of level percentage payments, will be used.

Mr. Cross seconded the motion.

The motion passed (7-0).

A question arose over the vesting requirement for non-service partial disability. Mr. Cross pointed out that the Plan requires participants who are not eligible for disability benefits (age 55 or older with 25+ years of service) are still required to make contributions to the disability fund. Mr. Greenblum indicated that the make-up of the Plan calls for payment of benefits over the life of employment, and not over the life of accumulating earning benefits. He continued to say that the term of contributions could be changed, but it would result in higher contribution rates through the shortened period of time.

Ms. Mammarella asked about withdrawal rates versus retirement rates.

Mr. Johnson asked about the 4% salary growth assumption used for amortizing the unfunded liability. Mr. Greenblum asked if this was an assumption the board wanted to set.

The board discussed contribution remittances. The Board reviewed section 4.2(a)(1)(ii)(3) of the Plan. There was a discussion about the benefits of making contributions bi-weekly as opposed to the current monthly. Mr. Greenblum said that any contributions made earlier in the year will have a slight decrease in necessary contributions because the contribution is available to earn investment returns.

Mr. Cross made a motion:

The Valuation Committee is also to examine the wording of 4.2(a)(1) and determine if the word “monthly” is to be changed to allow more flexible funding.

Mr. Lockwood seconded the motion.

The motion passed (7-0).

Staff indicated the Valuation Committee might consider review of other technical corrections. This would enable the creation of an omnibus plan amendment and reduce the number of times City Council addressed pension issues.

Mr. Johnson made a motion:

The Valuation Committee will also examine other technical corrections that might be brought to the committee’s attention.

Ms. Triggs seconded the motion.

Discussion: Staff indicated there were a number of no cost and very low cost items that had been collected by our attorney, actuary, and staff. They were not intended to be benefit or policy changes.

The motion passed (7-0).

The Service Credit Buy Back is not included in the June 30, 2006 Valuation.

Page 21 indicated funding had not improved much since plan inception.

Mr. Cross pointed out that late in a participant’s career a member contributes .5% of pay to the disability plan and does not receive benefit at that time. Mr. Greenblum explained the funding was over a member’s working lifetime. If the contribution for certain age and service groups were eliminated then something else would have to give: lower benefits, higher contributions at other ages, no certification, etc.

Ms. Mammarella left the room.

Mr. Cross made a motion:

To accept the 2006 actuarial Valuation.

Ms. Triggs seconded the motion.

The motion passed (6-0).

Ms. Mammarella returned.

REPORT ON SERVICE CREDIT BUY BACK IMPLEMENTATION

Staff reported on the progress made on creating a contract and working out the mechanics of payroll deduction with the I.T., Prudential, and the Payroll unit.

ELECTION UPDATE

Staff provided an update on the election process. A list of the nominees for Participant Representative and Alternate was provided to all. The election process is on schedule, the personal statements are due in August and September the ballots will be mailed.

UPDATE/FOLLOW UP ON OLD BUSINESS

In the interest of time staff made an abbreviated presentation. Information typically covered in this agenda item will be e-mailed to members.

FUTURE AGENDA ITEMS

Mr. Bland noted there were a large number of issues on the September agenda and sought guidance on what to include. Mr. Bland will e-mail the agenda to the Board members so they can decide which items to include.

Investment Professionals (Prudential, Dahab, and Trustco) are to be told to provide just highlights of industry trends in order to spend more time on plan-specific issues.

Mr. Cross mentioned the International Foundation of Employee Benefit Plans (IFEBP) annual educational sessions. Last year Mr. Seskey, Mr. Cross, Mr. Lockwood, and Mr. Evans attended. Mr. Johnson requested Staff forward an electronic link to the program description. The Chair asked who wanted to attend. Mr. Cross, Mr. Evans, Ms. Triggs, Ms. Mammarella, and Ms. Nugent indicated interest.

NEXT MEETING SEPTEMBER 5th 8:30 AM

The meeting will run long. Staff should reserve the room for a longer than normal time and have lunch delivered.

ADJOURNEMENT

Ms. Mammarella made a motion to adjourn. Ms. Triggs seconded the motion. The motion carried (7-0)